# *HUMAN SERVICES*

## 4140 Office of Statewide Health Planning and Development

The Office of Statewide Health Planning and Development (OSHPD) develops plans, policies, and programs to assist health care delivery systems. OSHPD has four major program areas: (1) healthcare cost and quality analysis; (2) healthcare workforce development; (3) facility/hospital development, including Cal-Mortgage Loan Insurance; and (4) health care information. Total funding for OSHPD increases by $5.2 million (8 percent).

| **Summary of Expenditures** (dollars in thousands) | 2005-06 | 2006-07 | $ Change | % Change |
|---|---|---|---|---|
| General Fund | $5,105 | $5,088 | -$17 | -0.3 |
| Federal Trust Fund | 1,239 | 1,235 | -4 | -0.3 |
| Special Funds | 57,028 | 62,704 | 5,676 | 10.0 |
| Reimbursements | 1,986 | 1,549 | -437 | -22.0 |
| Total | $65,358 | $70,576 | $5,218 | 8.0 |

### *Highlights*

- **Continue Logbook Redesign Project.** The budget requests $2.8 million Hospital Building Fund and one new position to procure a replacement automation system for its Logbook Database System. This system is used by OSHPD's Facilities Development Division (FDD) to track health facility construction projects through plan review and construction. Logbook also contains modules to track health facility compliance with SB 1953 and facilitate emergency operations in the event of a natural disaster.

- **Transfer Steven M. Thompson Physician Corps Loan Repayment Program.** The budget requests $2 million and the establishment of 1.5 position to transfer the Steven M. Thompson Physician Corps Loan Repayment Program (formerly known as the California Physician Corps Program) from the California Medical Board to the Health Professions Education Foundation (HPEF), pursuant to AB 920 (Aghazarian), Ch. 317/2005. Funding for this program is provided through the Contingent Fund of the Medical Board of California.

- **Expand Registered Nurse Education Program.** The budget requests $117,000 for the Registered Nurse Education Fund and the redirection of 0.6 position to administer nurse educator scholarships and loan repayment, pursuant to AB 702 (Koretz), Ch. 611/2005. The legislation authorized the expansion of the existing Registered Nurse Education Program (RNEP) to provide financial assistance to students who are seeking a master's or doctoral degree in nursing. The RNEP currently provides financial assistance for education costs of registered nurses or graduates of associate degree nursing programs who agree to serve in underrepresented areas.

## 4170 California Department of Aging

The California Department of Aging (CDA) is the state agency designated to coordinate resources to meet the long term care needs of older individuals, to administer the federal Older Americans Act and the State Older Californians Act, and to work with Area Agencies on Aging to serve elderly and functionally impaired Californians. The department provides services under: (1) Senior Nutrition Services; (2) Senior Community Employment Services; (3) Supportive Services and Centers; and (4) Special Projects. The budget proposes $194.7 million for 2006-07, a 0.4 percent increase over the current year.

| **Summary of Expenditures** (dollars in thousands) | 2005-06 | 2006-07 | $ Change | % Change |
|---|---|---|---|---|
| General Fund | $35,350 | $35,560 | $210 | 0.6 |
| State HICAP Fund | 2,447 | 2,454 | 7 | 0.3 |
| Federal Trust Fund | 146,531 | 146,617 | 86 | 0.1 |
| Special Deposit Account | 1,572 | 1,572 | 0 | 0.0 |
| Reimbursements | 7,995 | 8,493 | 498 | 6.2 |
| Total | $193,895 | $194,696 | $801 | 0.4 |

### *Highlights*

- **Reform Adult Day Health Care.** The budget requests $566,000 ($174,000 General Fund) and 4 positions to establish post-payment reviews for Adult Day Health Care (ADHC) centers. These reviews would ensure that billed services were actually provided and were medically necessary. This request is part of an ADHC reform proposal that also includes 4 additional positions in the Department of Health Services.

## 4200 Department of Alcohol and Drug Programs

The Department of Alcohol and Drug Programs (DADP) provides statewide leadership and oversight for local alcohol and drug intervention, prevention, detoxification, treatment, and recovery services, including Drug Medi-Cal, Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000, or SACPA), Drug Courts, and the Office of Problem Gambling. The budget proposes $614.6 million ($243.2 million General Fund) for 2006-07, an increase of 0.8 percent over the current year.

| **Summary of Expenditures** (dollars in thousands) | 2005-06 | 2006-07 | $ Change | % Change |
|---|---|---|---|---|
| **Programs** | | | | |
| Prevention | $71,520 | $70,889 | -$631 | -0.9 |
| Treatment and Recovery | 490,750 | 496,430 | 5,680 | 1.2 |
| Perinatal | $47,305 | $47,321 | $16 | 0.0 |
| | | | | |
| **Fund Source** | | | | |
| General Fund | $239,471 | $243,187 | $3,716 | 1.6 |
| Federal Trust Fund | 290,532 | 290,291 | -241 | -0.1 |
| Special Funds | 4,100 | 4,130 | 30 | 0.7 |
| Reimbursements | 75,472 | 77,032 | 1,560 | 2.1 |
| | | | | |
| Total | $609,575 | $614,640 | $5,065 | 0.8 |

### *Highlights*

- **Establish Drug Medi-Cal Fraud Deterrence Program.** The budget requests $286,000 ($143,000 General Fund) and 3 positions to establish a Drug Medi-Cal Fraud Deterrence Program. These resources would be used to provide more consistent oversight and monitoring of Drug Medi-Cal Narcotic Treatment Program (NTP) providers that contract directly with the DADP. These positions are projected to increase Drug Medi-Cal recoupments by $3.7 million in 2006-07.

- **Increase Drug Medi-Cal Funding and Caseload.** The budget requests $121.1 million ($63.2 million General Fund) for the Drug Medi-Cal program. This represents a 6 percent increase over revised current year funding, due to increased program caseload. Methadone treatment represents over 60 percent of Drug Medi-Cal expenditures.

- **Continue Funding Proposition 36 (SACPA).** The budget requests $120 million General Fund and the one-year extension of 29.7 existing positions to continue the activities of Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000, or SACPA). Of this amount, $116.5 million would be allocated to the counties, and $3.5 million would be used to maintain the existing state positions. The budget also calls for statutory changes to SACPA to incorporate components of the drug court model (for further details see *Issues* below).

### *Issues*

1. **Continue Funding Proposition 36 (SACPA).** SACPA, approved by the voters on November 7, 2000, sentences non-violent drug defendants to drug treatment rather than jail or prison. SACPA continuously appropriated $120 million General Fund annually from 2001-02 through 2005-06 to fund county drug treatment services and criminal justice supervision. Although the statutory funding requirement expires at the end of 2005-06, the sentencing provisions do not expire.

   The budget proposes to maintain $120 million General Fund for SACPA in 2006-07. If the state reduces funding for SACPA or other alcohol and drug treatment programs in 2006-07, it will fail to meet its maintenance-of-effort (MOE) requirement for the federal Substance Abuse Prevention and Treatment (SAPT) Block Grant. Failure to meet the SAPT MOE would result in a significant reduction in federal funding for alcohol and drug treatment.

However, note that maintaining the current funding level may result in funding reductions for counties, as they have been using unspent carryover funds from their initial SACPA allocations to supplement the $120 million annual appropriation. Actual expenditures were $134 million in 2003-04, $143 million in 2004-05, and an estimated $146 million in 2005-06. Counties are expected to have little or no carryover funds after 2005-06.

The budget also requests statutory changes to align SACPA sentencing guidelines with the drug court model, including drug testing, flash incarceration, and judicial monitoring. The budget also recommends programmatic changes to ensure that offenders are matched with appropriate treatment services, such as narcotic replacement therapy and culturally competent services. Researchers at the University of California at Los Angeles (UCLA) are currently evaluating the results of SACPA, and will release a special supplemental report in April 2006 to help inform policy and funding decisions this spring.

## 4700 Department of Community Services and Development

The Department of Community Services and Development (DCSD) distributes federal and state funding to local entities that provide energy and weatherization assistance and a variety of other community services for low-income households. The budget proposes $167.7 million for 2006-07, a 2.8 percent decrease compared to current year funding. The decrease is due to the expiration of one-time federal funding in 2005-06 for weatherization and energy assistance for low-income households.

| **Summary of Expenditures** (dollars in thousands) | 2005-06 | 2006-07 | $ Change | % Change |
|---|---|---|---|---|
| **Programs** | | | | |
| Energy Programs | $105,848 | $100,974 | -$4,874 | -4.6 |
| Community Services | 65,283 | 65,243 | -40 | -0.1 |
| Naturalization Services | $1,500 | $1,500 | $0 | 0.0 |
| | | | | |
| **Fund Source** | | | | |
| General Fund | $1,500 | $1,500 | $0 | 0.0 |
| Petroleum Violation Escrow Account | 4,049 | 0 | -4,049 | -100.0 |
| Federal Trust Fund | 164,975 | 164,110 | -865 | -0.5 |
| Reimbursements | 2,107 | 2,107 | 0 | 0.0 |
| | | | | |
| Total | $172,631 | $167,717 | -$4,914 | -2.8 |

### *Issues*

1. **Pending Federal Budget Changes.** On or around February 1, 2006, the US House of Representatives is expected to vote on the federal fiscal year 2006 budget already approved by the Senate. While this package, called the Deficit Reduction Act of 2005, would reduce federal funding for many human services programs, it does contain a one-time augmentation for the Low-Income Home Energy Assistance Program (LIHEAP). The Legislative Analyst's Office estimates that California's share of this augmentation will be $45 million. LIHEAP provides weatherization and energy assistance for low-income households.

## 5160 Department of Rehabilitation

The Department of Rehabilitation assists people with disabilities to obtain and retain employment and maximize their ability to live independently in the community. The department operates the Vocational Rehabilitation (VR) program, funded primarily with federal funds, to provide vocational services to persons with disabilities. Some of these services are provided through cooperative agreements with other state and local agencies (education, mental health, welfare). The department also provides support services for Community Rehabilitation Programs, including independent living centers. The budget proposes total funding of $360.1 million, a 3.3 percent increase over the current year.

| **Summary of Expenditures** (dollars in thousands) | 2005-06 | 2006-07 | $ Change | % Change |
|---|---|---|---|---|
| **Programs** | | | | |
| Vocational Rehabilitation Services | $328,951 | $340,237 | $11,286 | 3.4 |
| Support of Community Facilities | 19,741 | 19,814 | 73 | 0.4 |
| **Fund Source** | | | | |
| General Fund | $44,899 | $46,991 | $2,092 | 4.7 |
| Vending Stand Account | 3,447 | 3,478 | 31 | 0.9 |
| Mental Health Services Fund | 195 | 195 | 0 | 0.0 |
| Federal Funds | 292,251 | 301,487 | 9,236 | 3.2 |
| Reimbursements | 7,900 | 7,900 | 0 | 0.0 |
| Total | $348,692 | $360,051 | $11,359 | 3.3 |

### *Highlights*

- **Increase Vocational Rehabilitation (VR) Funding.** Budget year VR caseload is estimated to rise to 122,275 total cases, an increase of 1 percent over revised current year caseload. The budget includes a 3.4 percent increase in total VR costs, due to (1) the caseload increase; (2) cost increases for transportation, consumer goods, and personal services; and (3) a

3 percent increase for In-Plan expenditures to conform to the Department of Developmental Services job coaching rate increase.

## 5175 Department of Child Support Services

The Department of Child Support Services (DCSS) administers the child support enforcement program operated by local child support agencies. The Department provides state direction to assure that child support funds are collected and distributed to families, including securing child and spousal support, medical support, and determining paternity. The Department has responsibility for addressing federal fiscal sanctions related to California's failure to develop adequate automation systems for child support services. The department oversees local program and fiscal operations, administers the federal Title IV-D state plan for securing child support, and monitors state results on federal performance standards.

The budget anticipates total collections of $2.4 billion in the budget year, an increase of 2.4 percent above the current year. The department's overall budget expenditures are proposed to increase by $9 million, or 0.6 percent, to $1.4 billion. The budget includes 534.2 positions for DCSS, a net increase of 19.1 positions.

| **Summary of Expenditures** (dollars in thousands) | 2005-06 | 2006-07 | $ Change | % Change |
|---|---|---|---|---|
| General Funds | $513,238 | $517,254 | $4,016 | 0.8 |
| Federal Funds | 606,904 | 615,231 | 8,327 | 1.4 |
| Reimbursements | 123 | 123 | 0 | 0.0 |
| Child Support Collection Recovery Fund | 273,032 | 269,722 | -3,310 | -1.2 |
| Total | $1,393,297 | $1,402,330 | $9,033 | 0.6 |

### *Highlights*

- **Fund Federal Penalty for Child Support Automation.** The budget includes $220 million General Fund for the anticipated September 2006 payment of the federal child support automation penalty for federal fiscal year 2006. The state has been required to pay an increasing penalty each year since 1997 due to the state's failure to implement a single statewide child support automation system. The DCSS is currently developing the California Child Support Automation System (CCSAS), which, when certified by the federal government, would allow the state to avoid future penalties. The September 2006 payment is anticipated to be the last payment the state will make. The DCSS will then request certification that the automation system is sufficiently operational to qualify for penalty relief in future federal fiscal years.

- **Continue Development of CCSAS Child Support Enforcement (CSE) Component.** The CSE component of CCSAS will provide a statewide central database for case management, financial management, and interstate communication. Total funding for the CSE component is estimated to be $141.5 million in 2006-07. The budget requests 3 new positions, and the redirection of 10 existing DCSS positions to continue development of this system. This component is scheduled to be completed by September 2008.

- **Continue Development of CCSAS State Disbursement Unit (SDU) Component.** The SDU component of CCSAS will provide statewide collections and electronic disbursement of child support payments. In 2005-06 the SDU is being implemented in stages; several new counties are converting to the SDU each month. Total funding for the SDU component is estimated to be $37.7 million in 2006-07. All employers and non-custodial parents are scheduled to begin sending child support payments through the centralized SDU in May or June 2006.

- **Establish Customer Support Service Center.** The budget requests $824,000 ($280,000 General Fund) for 13.1 new positions, and 3.5 redirected positions, to establish a statewide Customer Service Support Center. This Center would respond to telephone inquiries regarding child support cases that will be added to the SDU as it becomes operational.

- **Establish Centralized Financial Management Team.** The budget requests $530,000 ($180,000 General Fund) for 5.5 new positions, and 4.5 redirected positions, to establish a Centralized Financial Management Team to resolve exceptions for non-assistance child support cases that will be added to the SDU as it becomes operational. These exceptions include multiple county collection adjustments and holds, and other issues that would not be resolved by local child support agencies.

- **Extend the Compromise of Arrears Program (COAP).** The budget proposes $520,000 ($177,000 General Fund) to maintain 6.5 of 9 expiring limited-term positions for the COAP. This program accepts reduced lump sum settlements from non-custodial parents with arrearages in exchange for their commitment to make ongoing payments.

- **Continue Suspension of Health Insurance Incentives and Improved Performance Incentives Programs.** The budget proposes trailer bill language to continue the suspension of two programs, the Health Insurance Incentives and the Improved Performance Incentives programs, through 2006-07. The Health Insurance and the Program Improvement Incentive programs were part of the Child Support reform legislation passed in 1999. The Health Insurance Incentives program paid local child support agencies (LCSAs) $50 for each case for which they obtained third-party health insurance coverage or insurance for child support applicants or recipients. The Improved Performance Incentives program provided the ten best performing LCSAs with 5 percent of the amount they collected on behalf of the state for public assistance payment recoupments. The funding received by the LCSAs from the Improved Performance Incentives program was required to be reinvested back into the Child Support Program. These programs were suspended for four years beginning 2002-03. The Department of Finance notes that LCSAs are required by DCSS regulations to seek third-party health insurance coverage as part of their normal business processes.

### *Issues*

1. **Assistance Child Support Collections and Cost-Effectiveness Declining.** Although the budget anticipates that total collections will increase by 2.4 percent, assistance collections are expected to decline by 6.7 percent. Assistance collections, which have been declining since

2000-01, reflect payments from non-custodial parents that are redirected to the state and federal government to repay past welfare costs. Non-assistance collections are fully directed to custodial parents and children. In addition, as a result of flat or declining collections and increasing costs, the state's child support system continues to rank well below the national average for cost-effectiveness.

2. **Child Support Arrears Remain High.** Approximately $19 billion in child support arrears is currently owed to families in California. An analysis conducted by the Urban Institute found that approximately $4.8 billion of the state's arrears is collectable, including $2.3 billion that is owed to the state for CalWORKs reimbursements. In September 2005, the DCSS sponsored an Arrears Management Roundtable, which looked at the performance of California compared to other States and examined options to reduce arrearages and increase child support collections. The Legislature may wish to review these options to reduce arrearages.

3. **Looming Federal Budget Changes.** On or around February 1, 2006, the US House of Representatives is expected to vote on the federal fiscal year 2006 budget already approved by the Senate. This package, called the Deficit Reduction Act of 2005, cuts federal funding for many programs affecting children, families, and youth, including state child support collection programs.

   More specifically, this Act would prohibit state child support programs from using federal performance incentive payments to draw down matching federal funds. In 2006-07 the budget anticipates $47 million in performance incentive payments from the federal government, plus $94 million in matching federal funds. Should this Act be approved, $47 million in additional General Fund spending would be required to avoid a funding reduction for the state's child support collection program.

   If the state does not backfill the lost funding, the Center for Law and Social Policy (CLASP) estimates that California would lose an estimated $827.1 million in federal funds over the next ten years, and approximately $1.7 billion in child support payments would go uncollected during the same period. Further, CLASP estimates the state could lose as much as $500 million in assistance collections over the next ten years (assistance collections are payments from non-custodial parents that are redirected to the state and federal government to repay past welfare costs).

   In addition, this Act would assess an annual fee on the state equal to $25 for most non-assistance child support cases. This fee would be deducted from the federal funds the state receives for program administration. The Legislative Analyst's Office (LAO) estimates that this fee would result in $5 million in lost federal funds annually. Finally, this Act would provide federal financial participation in the $50 income disregard for CalWORKs cases receiving child support. The state must currently reimburse the federal government for its 50 percent share of the amount passed through to the family. The LAO estimates that this would result in annual General Fund savings of $15 million.

## 5180 Department of Social Services

The Department of Social Services (DSS) administers a variety of programs with four major goals: (1) provide temporary cash assistance and services to encourage low-income families with children to attain self-sufficiency by moving from welfare to permanent employment; (2) provide social services to elderly, blind, disabled and other adults and children, protecting them from abuse, neglect and exploitation, and helping families stay together and in the community; (3) regulate group homes, preschools, foster care homes, day care and residential care facilities to ensure they meet established health and safety standards; and (4) conduct disability evaluations and provide benefit payments for federal and state programs serving the aged, blind and disabled.

The budget proposes $17.7 billion ($8.8 billion General Fund) for the DSS, an increase of $218 million ($147 million General Fund). These amounts do not reflect the county share of cost for programs administered by DSS, as county funding is not included in the state Budget Act. However, the table below includes county funding to better reflect total program expenditures. The budget includes a total of 4,424 DSS positions, a net increase of 110 positions over the current year.

| **Summary of Expenditures** (dollars in thousands) | 2005-06 | 2006-07 | $ Change | % Change |
|---|---|---|---|---|
| **Programs** | | | | |
| CalWORKs | $5,020,266 | $4,906,668 | -$113,598 | -2.3 |
| Food Stamps | 754,377 | 795,619 | 41,242 | 5.5 |
| IHSS | 3,792,572 | 3,959,618 | 167,046 | 4.4 |
| SSI/SSP | 3,505,627 | 3,563,847 | 58,220 | 1.7 |
| Foster Care | 1,714,045 | 1,711,315 | -2,730 | -0.2 |
| Child Welfare Services | 2,198,131 | 2,230,691 | 32,560 | 1.5 |
| Adoption Assistance | 712,437 | 775,116 | 62,679 | 8.8 |
| Kin-GAP | 98,098 | 100,046 | 1,948 | 2.0 |
| Other County Services | 488,577 | 456,285 | -32,292 | -6.6 |
| Community Care Licensing | 100,631 | 107,341 | 6,710 | 6.7 |
| Other State Operations | $383,192 | $392,636 | $9,444 | 2.5 |
| | | | | |
| **Fund Source** | | | | |
| General Fund | $8,664,204 | $8,810,809 | $146,605 | 1.7 |
| Technical Assistance Fund | 23,955 | 22,200 | -1,755 | -7.3 |
| Employment Training Fund | 37,930 | 32,930 | -5,000 | -13.2 |
| Child Support Collections Recovery Fund | 14,974 | 14,777 | -197 | -1.3 |
| Other Special Funds | 11,140 | 8,702 | -2,438 | -21.9 |
| Federal Funds | 6,038,561 | 6,003,002 | -35,559 | -0.6 |
| Reimbursements | 2,663,761 | 2,779,816 | 116,055 | 4.4 |
| County Funds (Non-add) | 1,313,428 | 1,326,946 | 13,518 | 1.0 |
| | | | | |
| Total | $18,767,953 | $18,999,182 | $231,229 | 1.2 |

**California Work Opportunity and Responsibility to Kids (CalWORKs) Program**

- **Program Description.** CalWORKs provides cash benefits and welfare-to-work services to children and their parents or caretaker relatives who meet specified eligibility criteria including having a family income below the CalWORKs minimum basic standard of adequate care, having less than $2,000 in resources, and having a car valued at $4,650 or less. The average family of three must have an annual net income below $12,389, or 77 percent of the federal poverty level, to be eligible for CalWORKs. Program recipients are required to participate in welfare-to-work activities and perform a minimum of 32 hours of work or work-related activities per week to remain eligible for benefits. Adults have a lifetime limit of five years (60 months) in CalWORKs.

  The DSS provides statewide oversight for the program, and counties provide or contract for enrollment, case management, employment training, substance abuse, mental health, and child care functions.

- **Enrollment Summary.** After peaking in March of 1995, CalWORKs enrollment has dropped by 48 percent through 2004. Enrollment has decreased by 33 percent since CalWORKs replaced the former Aid to Families with Dependent Children (AFDC) program in 1998. The caseload decline is due to a combination of demographic trends (such as decreasing birth rates for young women), California's economic expansion, and full implementation of welfare reform. After years of declines, enrollment flattened in 2003-04, and has remained relatively stable since then. Caseload is projected to decrease by 1.4 percent in 2005-06, and increase by 0.9 percent in 2006-07. Average monthly enrollment is estimated to be 488,000 cases in 2006-07.

- **Funding Summary.** CalWORKs is funded through an annual federal Temporary Assistance for Needy Families (TANF) block grant of $3.7 billion, plus $2.7 billion in state and county funds to meet a federal Maintenance of Effort (MOE) requirement. The state's MOE is based on welfare spending in 1994, adjusted downward for achievement of certain work participation goals. Federal law requires states to spend TANF funds on current and former welfare recipients, with limited exceptions. Accordingly, California spends most federal TANF funds on CalWORKs, and directs some TANF and state MOE funding to activities in other programs and departments.

  The budget proposes total TANF/MOE funding of $6.4 billion ($4.9 billion of which will be spent on the CalWORKs program and $1.5 billion to support non-CalWORKs federally allowable activities). This constitutes a $111 million, or 2.2 percent, decrease in CalWORKs expenditures from the current year. Note also that the Administration is proposing a $32 million decrease in CalWORKs funding in the current year.

### *CalWORKs Highlights*

The budget does not propose any changes to eligibility, work requirements, or grants for CalWORKs clients. However, the budget does propose significant reductions to funding for counties and tribal entities for CalWORKs employment services, eligibility determination, and child care. These reductions would occur in both the current year and the budget year.

- **Scale Back Welfare Reform Results.** The 2004-05 Budget Act strengthened client work participation requirements, in order to increase the state's work participation rate. However, in recent years, the CalWORKs work participation rate has been gradually declining. The budget assumes that the program reforms established in the 2004-05 Budget Act will have a minimal effect in 2005-06, and that $147 million in anticipated grant savings due to increased work hours will not materialize. The Administration also indicates that it will reduce the current year allocation to counties for child care funding by $113 million, as it anticipates this funding will be unspent due to lower than anticipated work hours. The budget anticipates that welfare reforms will have a moderate impact in 2006-07. Counties have expressed concern that scaling back fiscal estimates for the Welfare Reform and Pay for Performance initiatives is premature. Counties also suggest that making a significant current year reduction in funding for CalWORKs child care prevents effective program management, and destabilizes local CalWORKs programs.

- **Delay Pay for Performance.** The 2005-06 Budget Act established performance measures for the CalWORKs program, and provided a $30 million TANF set-aside for 2006-07 to provide payments to counties that meet performance goals for work participation and client income measures. Although the 2005-06 Budget Act included $22 million in CalWORKs grant savings as a result of this program, the Administration now proposes to reduce that savings and delay implementation of Pay for Performance due to the delay in welfare reform described above. The budget eliminates the $30 million set-aside in TANF reserve for county performance payments in 2006-07.

- **Prospective Budgeting/Quarterly Reporting (CalWORKs and Food Stamps).** The 2002-03 Budget Act shifted the routine eligibility review period for CalWORKs and Food Stamp clients from monthly to quarterly reporting. This change was intended to reduce the Food Stamp error rate. Counties transitioned to prospective budgeting between November 2003 and June 2004. This change was expected to result in grant increases and eligibility determination savings due to fewer reported income changes. However, counties have indicated that eligibility savings are less than previously estimated, primarily due to the time needed to process mid-quarter change reports.

  The 2005-06 Budget Bill approved by the Legislature reduced the Food Stamp eligibility determination savings for quarterly reporting by $23.7 million ($10 million General Fund), and applied $50 million in unspent 2004-05 CalWORKs funding to offset CalWORKs eligibility savings. However, the Governor vetoed the Food Stamp eligibility funding increase, and vetoed $25 million of the $50 million CalWORKs eligibility funding increase, indicating DSS would work with counties to determine the true impact of quarterly reporting requirements.

  The 2006-07 budget reflects only natural caseload adjustments for Food Stamp eligibility costs, and, despite the Governor's veto message, does not modify the previous assumptions for quarterly reporting. For CalWORKs eligibility, the budget maintains the $25 million eligibility funding increase through 2006-07, and indicates the DSS will complete an eight county time study to validate the actual time required to complete quarterly reporting and prospective budgeting activities. The budget also reduces CalWORKs grant costs by

$42 million in the current and budget years, based on updated caseload data for quarterly reporting.

- **Reduce CalWORKs Single Allocation.** The budget reduces $40 million in funding to counties for CalWORKs employment and other services, eligibility determination, and child care in 2006-07.

- **Reduce Tribal TANF Current Year Funding.** The budget reduces current year funding for Tribal TANF programs by $13 million (23 percent) to reflect revised implementation dates and caseload.

- **Support Tribal TANF, Tribal Child Welfare, and Indian Child Welfare Act (ICWA).** The budget requests $223,000 ($51,000 General Fund) to establish 2 positions to support Tribal TANF and child welfare programs, as well as ICWA. An increasing number of Native American Tribes or Tribal consortia have established Tribal TANF programs in recent years, and some Tribes have also expressed interest in establishing their own Tribal Child Welfare programs. In addition, due to the complexity of ICWA, additional information and support for local entities may be needed to ensure consistent ICWA compliance. Note that the Legislature approved the establishment of 1.0 DSS position for ICWA compliance in the 2005-06 budget bill, but the Governor vetoed that position.

- **Use TANF to Backfill Federal Disallowance for Child Welfare Services (CWS).** The budget proposes to shift a combined total of $58 million in current and budget year TANF funding from CalWORKs to CWS - Emergency Assistance Program, to backfill a federal funding disallowance in CWS. For further information, please see Children and Family Services Highlights below.

- **Hurricane Katrina Costs.** The budget requests $8.5 million ($7.3 million TANF/MOE/General Fund) in the current year and $4.9 million ($3.4 million TANF/MOE/General Fund) in the budget year for services and grants provided in California to evacuees from Hurricane Katrina under the CalWORKs, Food Stamps, IHSS, and SSI/SSP programs. The budget does not anticipate that the federal government will reimburse the state for these costs.

### *CalWORKs Issues*

1. **Looming Federal Budget Changes.** On or around February 1, 2006, the US House of Representatives is expected to vote on the federal fiscal year 2006 budget already approved by the Senate. This package, called the Deficit Reduction Act of 2005, would effectively increase the state's work participation rate to 50 percent for all CalWORKs cases, and 90 percent for two-parent cases. The state's work participation rates are currently 23 percent for all cases and 32 percent for two-parent cases. The new work participation rate requirements would be effective October 1, 2006.

   California will face large costs to increase participation in work activities to meet the new requirements, and will still be at great risk of being penalized. The Center for Law and Social Policy estimates that the cost of increasing participation in work activities to meet the new requirements in California could exceed $400 million in 2007, and be in the range of $2 billion for the state for the next five years if the state's caseload does not fall. If the state fails to meet the work participation rate requirements, it is subject to a penalty equal to a 5 percent reduction in the federal TANF grant, or $185 million. This penalty increases each year, to a maximum of 21 percent. In addition, the state would be required to backfill the federal penalty with General Fund resources, and increase MOE spending by 5 percent, or $180 million. The Act also increases funding for child care, and California's share is estimated to be approximately $25 million per year.

2. **October 2003 COLA**. From 2000-01 through 2003-04, statute authorized an additional CalWORKs COLA in October of each year so long as Vehicle License Fee (VLF) tax relief was also implemented. Governor Davis suspended the VLF tax relief in June 2003, which triggered the suspension of the October 2003 CalWORKs COLA. However, Governor Schwarzenegger rolled back the VLF tax increase and did not restore funding for the October 2003 COLA. A court ruling in 2004 found that the October 2003 COLA was required, but the Administration is appealing the ruling, and funding for the COLA was not included in the budget. Funding this COLA would result in cumulative costs of $335.6 million through June 2006 for retroactive payments, and $122 million in ongoing annual costs.

**Food Stamps Program**

- **Program Description.** The Food Stamps program provides food benefits via Electronic Benefit Transfer (EBT) cards to eligible low-income families and individuals. The DSS provides statewide oversight, and counties perform eligibility determination and employment services functions. Families eligible for CalWORKs are automatically eligible for Food Stamp benefits. Low-income working families and individuals are also eligible for Food Stamp benefits, even if they have not enrolled in the CalWORKs program.

- **Enrollment Summary.** The department estimates that average monthly Food Stamp caseload in 2006-07 will be 2.2 million persons, a 5.5 percent increase over 2005-06. Approximately 62 percent of these beneficiaries are not receiving cash assistance. The proportion of "non-assistance" Food Stamp caseload in the program has grown significantly in recent years, and increased enrollment among non-assistance households has been the driving factor in overall program growth since 2000-01.

- **Funding Summary.** Food Stamp benefits are funded entirely by federal funds. These funds are not included in the state budget, as the U.S. Department of Agriculture provides funding for food directly to beneficiaries via EBT cards. Californians are estimated to receive approximately $2.3 billion in federal Food Stamp benefits in 2006-07. The federal government also funds 50 percent of the program's eligibility determination and administrative costs. The remaining 50 percent is split between the state and counties at a ratio of 70 percent to 30 percent, respectively. The budget anticipates that funding for county activities will be $773.5 million ($287 million General Fund), an increase of $39.9 million ($15.9 million General Fund) compared to the current year, due to increasing caseload.

  The state also administers the California Food Assistance Program (CFAP), a state-only food stamp program for legal non-citizens. Total funding for benefits and eligibility costs is estimated to be $22.1 million General Fund in 2006-07, to provide benefits to 21,600 beneficiaries.

### *Food Stamp Budget Highlights*

- **Food Stamp Simplification Options Delayed.** The 2005-06 Budget Act included funding to implement optional federal provisions to simplify the Food Stamp eligibility determination process, effective January 1, 2006. The budget indicates that implementation of these options has been delayed by nine months, to October 2006. Certain eligibility requirements will be aligned with CalWORKs, and a mandatory Standard Utility Allowance (SUA) will be implemented.

- **Prospective Budgeting/Quarterly Reporting for Food Stamps.** Please see discussion of this issue in CalWORKs section above.

### Supplemental Security Income/State Supplementary Program (SSI/SSP) and Cash Assistance Program for Immigrants (CAPI)

- **Program Description.** The SSI/SSP program provides cash grants to persons who are elderly, blind and/or too disabled to work and who meet the program's federal income and resource requirements. Beneficiary grants generally reflect the maximum grant less any offsetting personal income. Individuals who receive SSI/SSP are categorically eligible for the Aged, Blind or Disabled Medi-Cal Program with no share of cost, for the In-Home Supportive Services Program, and may be eligible for other programs designed to support individuals living in the community.

  The SSI/SSP program is administered by the federal Social Security Administration. The Social Security Administration determines eligibility, computes grants, and disburses monthly payments to recipients.

  SSI/SSP grant levels vary based on a recipient's living arrangement, marital status, minor status and whether she or he is aged, blind or disabled. There are over twenty different SSI/SSP payment standards. Both the federal and state grant payments for SSI/SSP recipients are adjusted for inflation each January through Cost-of-Living-Adjustments (COLAs). Federal law provides an annual SSI COLA based on the Consumer Price Index, and state law provides an annual SSP COLA based on the California Necessities Index. As of April 2006, the maximum grant will be $836 per month for an aged or disabled individual living independently and $1,472 per month for an aged or disabled couple living independently.

  The CAPI program was established in 1997 to provide cash benefits to aged, blind and disabled legal immigrants who became ineligible for SSI as a result of welfare reform. This state-funded program is overseen by the DSS and administered locally by counties. CAPI grants are $10 less than SSI/SSP grants for individuals and $20 less than SSI/SSP grants for couples.

- **Enrollment Summary.** The budget projects SSI/SSP average monthly enrollment will grow by 2.4 percent, from 1,212,000 in 2005-06 to 1,241,000 in 2006-07. Approximately

8 percent of recipients are under age 18, 49 percent are age 18 to 64, and 43 percent are age 65 and older. CAPI caseload is projected to decrease by 2.8 percent in 2006-07, to 7,817 average monthly recipients.

- **Funding Summary**. SSI/SSP grants have two components: the SSI component, which is federally funded, and the SSP component, which is state funded. Total funding for SSI/SSP is estimated to be $8.5 billion ($3.4 billion General Fund) in 2005-06, and $8.9 billion ($3.5 billion General Fund) in 2006-07. General Fund expenditures are projected to increase by 1.8 percent, to reflect an increase in caseload, offset by savings from extending the delay of the 2007 federal COLA. The federal funds in the SSI portion of the grant are not included in the state budget, as they are federally administered. Total funding for the CAPI program is estimated to be $77.3 million General Fund in 2005-06 and $75.5 million General Fund in 2006-07.

### *SSI/SSP Highlights*

- **Delay 2007 Federal SSI COLA.** The budget proposes to delay the 2007 federal SSI COLA an additional fifteen months, from April 2007 to July 2008. This would result in new General Fund savings of $54 million in 2006-07 and $215 million in 2007-08.

  The 2005 Budget Act suspended the state SSP COLA for 2006 and 2007, and delayed the federal SSI COLA for three months in each of those years. The three month delay of the 2007 SSI COLA in current statute results in savings of $54 million General Fund in 2006-07. The additional delay proposed in the Governor's Budget would result in additional General Fund savings of $54 million in 2006-07. Under the Governor's Budget proposal, the maximum SSI/SSP grant in 2007 would remain at the April 2006 level, which is $836 for individuals and $1,472 for a couple.

  The 2007 federal COLA proposed for delay would have increased the maximum grant for an individual by approximately $16 to $852 per month, and would have increased the maximum grant for a couple by approximately $24 to $1,496 per month. Even if that scheduled increase were provided, grant levels will not keep pace with inflation due to the suspension of the 2004, 2006, and 2007 SSP COLAs and the three month delay of the 2006 and 2007 SSI COLAs. An additional fifteen month delay of the 2007 SSI COLA would further erode the ability of grant payments to keep pace with cost of living increases, such as rising food, housing, and transportation costs.

  California's SSI/SSP beneficiaries are ineligible for Food Stamps benefits and depend on their grants to pay for rent, food, clothing, and other necessities. They spend most of their grants on rent and utilities. According to the U.S Department of Housing and Urban Development, fair market rents for a studio apartment in California average $805 per month and range from $389 in Siskiyou County to $1,042 in Ventura County. The fair market rent for a studio apartment exceeds the SSI/SSP grant in 9 counties, and exceeds 50 percent of the grant in all but two counties. Since 1990, rent prices have increased by 36 percent and the SSI/SSP purchasing power has declined by 17 percent. Without the COLA, beneficiaries will face additional pressure to reduce spending on food or utilities as housing costs increase.

- **Extend Deeming Period for CAPI.** The budget proposes to extend the deeming period for CAPI from ten to fifteen years for immigrants who entered the country on or after August 22, 1996. During the deeming period, the income and resources of the person sponsoring the noncitizen are taken into account when determining benefit eligibility. This five year extension results in General Fund savings (cost avoidance) of $12.5 million in 2006-07 and $40 million in 2007-08.

  Federal law limits SSI/SSP benefits for legal immigrants to aged and/or disabled persons who were on aid before August 22, 1996, or who were in the country prior to August 22, 1996 and subsequently become disabled. In response, California created the CAPI program in 1998, to provide state-only SSI/SSP benefits to elderly legal immigrants who lived in the U.S. prior to August 1996, and some immigrants who entered after August 1996 and whose sponsors are dead, disabled or abusive. These individuals are eligible for the "base" CAPI program.

  The "extended" CAPI program was established in 1999 to include all immigrants arriving after August 1996 with no sponsor or with a low-income sponsor. Extended CAPI applicants are currently subject to a ten year deeming period, which means for ten years after entering the country, both the applicant and sponsor's income and resources are counted when determining CAPI eligibility (unless the sponsor is dead, disabled or abusive).

  The ten year deeming period will begin to expire for some extended CAPI beneficiaries and applicants as soon as August 22, 2006. Under current law, the DSS estimates that an additional 250 individuals would become eligible for CAPI each month beginning in September 2006. The Governor's Budget proposal would require a sponsor's income and resources to continue to be considered for another five years, preventing 2,500 applicants from qualifying for CAPI in 2006-07, and 3,000 applicants from qualifying in 2007-08.

- **Pending Federal Budget Changes.** On or around February 1, 2006, the US House of Representatives is expected to vote on the federal fiscal year 2006 budget already approved by the Senate. This package, called the Deficit Reduction Act of 2005, would limit retroactive lump-sum SSI/SSP payments to three months' worth of benefits, and payments for any additional retroactive benefits would be spread out over a year. This Act would also require more frequent redeterminations for SSI/SSP eligibility, which could potentially result in SSI/SSP program savings.

### In-Home Supportive Services (IHSS) Program

- **Program Description.** The In-Home Supportive Services (IHSS) program funds personal care services for low-income aged, blind or disabled individuals that are at risk for institutionalization. IHSS services include domestic services (such as meal preparation and laundry), nonmedical personal care services, paramedical services, assistance while traveling to medical appointments, teaching and demonstration directed at reducing the need for support, and other assistance. Services are provided through individual providers hired by the consumer, county contracts with service providers, or through welfare staff. County welfare departments visit consumers in their homes to determine authorized hours of service.

- **Enrollment Summary.** The budget estimates that IHSS caseload will increase to 396,000 in 2006-07, an increase of 6.4 percent over 2005-06 caseload. Approximately half of IHSS consumers are age 65 and older. Persons with developmental disabilities constitute more than 12 percent of the IHSS caseload. Caseload, hours of service by case, and program costs have grown significantly faster than population growth since the mid-1990s.

- **Funding Summary.** The budget proposes $4 billion ($1.3 billion General Fund) for the IHSS program in 2006-07. This represents an increase of $167 million ($51.9 million General Fund) above the current year funding level, primarily due to caseload growth.

  IHSS costs have steadily increased in recent years, despite $230 million in General Fund savings from the IHSS federal Independence Plus waiver. Nonetheless, the average annual cost per individual, approximately $9,999 ($3,309 General Fund), is still less than one-fifth the cost of nursing home placement. The program's growth has been fueled by multiple factors, including the establishment of a state entitlement for personal care services, population increases, and an increase in the proportion of IHSS consumers who are severely disabled, greater utilization of service hours by case, and higher provider rates. In addition, demographic trends and a programmatic shift to support the elderly and persons with disabilities in community settings have increased the number of beneficiaries.

  Wage increases have reportedly contributed to enrollment growth and increases in the numbers of hours used, as higher wages have made it easier for beneficiaries to hire providers and fully utilize authorized hours of care. This is in addition to the direct impact of provider wage increases on IHSS costs. The state has participated in IHSS provider wages above the minimum wage since 1999-2000. In the current year, the state participates in wages and benefits up to $11.10 per hour, although actual wage rates vary by county. Most wage rates are determined by the board of supervisors and public authority that negotiates a contract with providers.

### *IHSS Highlights*

- **Continue Share of Cost Buyout.** The budget includes $24 million General Fund in 2006-07 to apply Medi-Cal share of cost rules to IHSS consumers. Under the federal IHSS Plus waiver adopted in 2004-05, IHSS consumers must have a Medi-Cal eligibility determination, which in some case results in a higher share of cost to be funded by the state. The budget reflects $31 million General Fund for current year costs associated with the share of cost buyout as well as funding to cover the Medi-Cal spenddown for IHSS consumers. DSS is funding IHSS consumers' SSI/SSP share of cost (spenddown) to ensure consumers will remain Medi-Cal eligible until automation system changes are completed in May 2006.

- **Increase Quality Assurance Savings.** The 2004-05 Budget Act established an IHSS Quality Assurance program to make county determinations of service hours consistent throughout the state. Quality Assurance includes: 1) quality assurance functions in each county, 2) state resources for monitoring and supporting county activities, 3) standardized assessment training for county IHSS workers, and 4) periodic written notices to providers that remind them of their legal obligations to submit accurate timesheets. The budget reflects

$431 million ($140.1 million General Fund) savings in 2006-07 due to reduced provider payments under this initiative. This savings estimate reflects phased-in implementation as county workers who have completed the training assess new cases or complete reassessments. When fully implemented, the DSS estimates that Quality Assurance will ultimately result in program savings of 13 percent. The Governor's Budget reflects savings of 11 percent due to ramp up time needed for quality assurance. The budget also includes $32.6 million ($11.7 million General Fund) for county staffing costs associated with the Quality Assurance Initiative.

- **Continue Quality Assurance State Staffing.** The budget requests $1.6 million ($788,000 General Fund) for a two-year extension of 16 expiring limited-term positions for the IHSS Quality Assurance Initiative. The DSS received 18 two-year limited-term positions for Quality Assurance implementation in 2004-05, and now indicates that continuation of 16 positions is necessary to continue implementation and provide ongoing county support and monitoring.

- **Continue Independence Plus Waiver Staffing.** The budget requests $422,000 ($211,000 General Fund) for a two-year extension of 5 expiring limited-term positions to support the IHSS federal Independence Plus Medicaid Waiver. As noted above, this waiver results in an estimated $230 million General Fund savings in 2006-07. The DSS received 6 two-year limited-term positions for the waiver in 2004-05, and now indicates that continuation of 5 positions is necessary for ongoing development and support of the waiver.

### Children and Family Services Programs

- **Program Descriptions, Caseload, and Funding.** The state administers a continuum of programs and services designed to protect children from abuse, neglect, and exploitation, strengthen families, deliver services to children in out-of-home care, and support the adoption of children. These programs are operated by county welfare departments.

  The budget provides $4.8 billion ($1.5 billion General Fund) to support children and family services programs. Federal funding for these programs is provided by Social Security Act Titles IV-B, IV-E, XIX, and XX funding, as well as Temporary Assistance for Needy Families (TANF) funds. Title IV-E, the largest funding stream, provides an open-ended entitlement for many children in foster care, adoption, and child welfare programs. Title IV-E funding is limited to children whose families meet the 1996 Aid to Families with Dependent Children (AFDC) income limits. Only a portion of California's foster care, adoptions, and child welfare cases meet these income limits and qualify for matching federal IV-E funding. Counties must determine which cases qualify for IV-E funding under various circumstances, and submit their claims for state and federal review.

  ✓ **Child Welfare Services (CWS).** This program encompasses a variety of services designed to protect children from abuse, neglect and exploitation. Services include Emergency Assistance, Family Maintenance, Family Reunification, and Permanent Placement. Combined average monthly caseload for these programs is estimated to decline by 1.5 percent in the budget year, primarily due to a decline in Permanent

Placement caseload. Total funding for CWS increased by 1.8 percent, to $2.2 billion ($631 million General Fund).

- ✓ **Foster Care Program.** The state's Foster Care program provides support payments for children in out-of-home care, including foster homes, foster family agencies, residential treatment for seriously emotionally disturbed children and group homes. Average monthly Foster Care caseload is estimated to decrease by 0.2 percent, to 74,900 children. Continuing the historical trends, the number of children in group homes and foster family agencies is increasing, while the number of children in foster family homes is decreasing. Total funding for Foster Care decreased by 0.2 percent, to $1.7 billion ($427 million General Fund).

- ✓ **Kin-GAP Program.** The Kin-GAP program provides support to children in long-term stable placements with relatives. The projected average monthly caseload is 15,500 children, reflecting an increase of 2.7 percent. The Kin-GAP program is funded with TANF and General Fund MOE funding. Total funding for Kin-GAP increased by 2 percent, to $100 million TANF/MOE.

- ✓ **Adoptions Program.** The state's adoptions programs include the Adoptions Assistance Program (AAP) as well as other state and county efforts to improve permanency outcomes for foster children. The AAP provides subsidies to promote permanent placement of children that are older, members of sibling groups, have disabilities, or are otherwise difficult to place. Budget year AAP caseload is expected to be 75,000, an increase of 7.9 percent over current year. Total funding for AAP and other adoptions programs increased by 8.8 percent, to $775 million ($348 million General Fund).

### *Children and Family Services Highlights*

- **Increase Monitoring and Fiscal Review for Title IV-E.** The budget requests $793,000 ($397,000 General Fund) for 9 positions to ensure that federal IV-E funding for Foster Care relative placements is being accurately claimed. As noted above, Title IV-E funding is limited to children whose families meet the 1996 ADFC income limits. Since only a portion of California's foster care, adoptions, and child welfare caseload qualifies for IV-E funding, counties must determine which cases qualify, and submit their claims for state and federal review. Inaccurate claiming has resulted in the disallowance of $45 million in IV-E funds for 2002, $34 million for 2003, and the potential for up to $100 million in 2000-01.

  The 9 DSS positions would also be used for compliance with the *Higgins v. Saenz* stipulated agreement and a corrective action agreement with the federal Administration for Children and Families, which require the department to demonstrate that children are placed in relative homes that meet the safety standards for approval and that these homes are properly entitled to receipt of federal funds. In spring 2006 the department will begin reviewing calendar year 2004 foster care claims for compliance with *Higgins* and the corrective action agreement.

- **Backfill Title IV-E Foster Care Disallowance with $33.8 million General Fund.** The budget requests $25.3 million General Fund in the current year and $8.4 million General Fund in the budget year to backfill a $33.8 million Title VI-E federal funding disallowance for Foster Care for calendar year 2003.

- **Backfill Title IV-E CWS Disallowance with $58 million TANF.** The budget proposes to shift a combined total of $58 million in current and budget year TANF funding from CalWORKs to the CWS-Emergency Assistance Program, to backfill a Title IV-E federal funding disallowance. The Emergency Assistance Program provides emergency shelter care, crisis resolution, emergency response, and case management for children at risk due to abuse, neglect, abandonment, or exploitation.

- **Continue Staffing for Title IV-E Child Welfare Waiver.** The budget requests $805,000 ($403,000 General Fund) to extend 4 limited-term positions for development and implementation of the Title IV-E Child Welfare Waiver Demonstration "Capped Allocation" Project (CAP). The department has been negotiating with the federal government for a number of years to develop this waiver. If approved, this waiver would allow the use of Title IV-E funds for preventive child welfare services, such as improved hotline response, more parenting education and counseling, multi-disciplinary teams, and services to more families on a voluntary basis.

- **Establish Foster Care Infant Rate.** The budget requests $611,000 ($156,000 General Fund) in the current year and $1.2 million ($313,000 General Fund) in the budget year to fund a special Foster Care rate for teen mothers who are in foster care placement with their children. This rate, established by SB 500 (Kuehl), Ch. 630/2005, provides a $200 monthly payment above the current infant supplement for the added care and supervision provided by the foster caregiver to the teen parent and child. An estimated 408 teen mothers are in foster care placement with their children.

- **Restore Foster Care Audits Staff.** The budget requests $577,000 ($357,000 General Fund) and the restoration of 6 three-year limited-term positions to perform fiscal audits of non-profit corporations that operate Foster Family Agencies or group home programs. Positions to perform this audits function were eliminated in 2003-04 position reduction drills.

- **Augment Foster Care Child Relationships Program.** The budget includes a total of $23 million ($10 million General Fund) for the Foster Care Child Relationships Program. This program was established by AB 408 (Steinberg), Ch. 813/2003 to help ensure that older foster youth develop significant and supportive relationships prior to their emancipation. The current year funding level for this program is $5.2 million ($2.3 million General Fund). The additional funding included in the budget would be used to fund AB 1412 (Leno), Ch. 640/2005, which expands the number of children covered by this program, and ensures that developmentally appropriate children are involved in the development of their case plan, help plan for permanent placement, and that children 12 and older review their case plan and receive a copy. Note that the budget proposes to delay implementation of AB 1412 from January 1, 2006 to July 1, 2006.

- **Augment Transitional Housing for Foster Youth.** The budget requests an additional $1 million General Fund to augment the Transitional Housing Placement Program (THPP), established under AB 1119 (Migden), Ch. 639/2002. This funding will allow more counties to participate in THPP, which provides housing assistance to emancipating foster youth.

- **Discontinue Dependency Drug Court Funding.** The budget does not maintain the $2 million federal PSSF funding included in the 2005-06 Budget Act for Dependency Drug Courts. The Administration indicates that it will consider restoration of this funding upon review of an evaluation report for Dependency Drug Courts that is due to the Legislature during 2006 budget hearings.

- **Expand Kinship Support Services.** The budget requests an additional $2.5 million General Fund to expand current county programs and allow all counties to apply for Kinship Support Services funds. This program, which was funded at $1.5 million General Fund for eleven counties in 2005-06, provides community-based family support services to kinship (relative) caregivers and the children who are placed in their homes by the juvenile court or who are at risk of dependency or delinquency.

- **Improve Adoptions Outcomes.** The budget requests a total of $12.2 million ($7.1 million General Fund) to hire additional state and county adoptions caseworkers. The additional staff are expected to increase adoptions by 560 in 2006-07. The funding includes $1.4 million ($698,000 General Fund) for 16.5 DSS positions in the Adoptions Services Bureau, which serves a 28-county service area. The funding also includes $10.8 million ($6.4 million General Fund) for local assistance to reflect a 15.6 percent increase in county adoptions caseworkers, offset by minor adjustments in Foster Care and AAP costs. Note that the Governor vetoed $229,000 ($100,000 General Fund) for Adoptions Assistance training in 2005-06, noting that DSS intends to increase efforts in 2005-06 to provide adoptions training and technical assistance to county social workers within existing resources.

- **Maintain Funding for Previous CWS Reforms**. The budget maintains a total of $26.6 million ($15.5 million General Fund) to support child welfare system reforms that were established in previous years. The budget includes $12.9 million ($7.6 million General Fund) for the Child Welfare Outcomes and Accountability System, established by AB 636 (Steinberg), Ch. 678/2001. The budget also includes $13.7 million ($7.8 million General Fund) to support 11 counties using Differential Response, the California Standardized Safety Assessment System, and enhanced permanency and youth transition standards. Note that the Governor vetoed $5.6 million ($3.5 million General Fund) in additional funding for CWS reforms in 2005-06, noting that the "legislative augmentation exceeds the level of funding that is necessary to implement approved CWS program improvement initiatives and strategies, achieve compliance with federal performance requirements, and avoid federal penalties."

- **Reduce Caseload Impact under *Rosales v. Thompson*.** Based on actual claims, the number of cases transferring from CalWORKs to Title IV-E Foster Care under the *Rosales v. Thompson* decision is fewer than expected. The *Rosales* decision broadened eligibility and extended federal Title IV-E Foster Care benefits to relatives caring for foster children who were previously eligible only for CalWORKs benefits at significantly lower rates. The 2005-06 Budget Act anticipated $7 million General Fund savings as a result of cases shifting from CalWORKs to Foster Care. However, based on actual claims data, the Governor's Budget estimates significantly fewer CalWORKs cases will shift to Foster Care, and as a result reflects no net General Fund savings. Despite the reduction in current year savings, the reduced *Rosales* caseload lessens the impact from the federal budget proposal to reverse the *Rosales* decision (see *Issues* below).

### *Issues for Children and Family Services*

**Pending Federal Budget Changes.** Shortly after it returns on January 31, 2006, the U.S. House of Representatives will vote on a budget package already approved by the Senate. This package, called the Deficit Reduction Act of 2005, contains numerous reductions to human services, including foster care and child welfare.

First, this Act would explicitly place limits on the claiming of federal administrative funds for children placed in ineligible facilities, such as those residing in unlicensed relative homes, detention centers, or hospitals. Currently, the state may receive federal reimbursement for certain administrative costs while children are in these settings. The LAO estimates that this would result in $15-$20 million in lost federal funds annually. Second, this Act would increase funding for child abuse prevention (Safe and Stable Families Funds) and juvenile court improvements. The LAO estimates that this would result in $10 million in additional federal funds annually. Finally, this Act would effectively reverse the *Rosales* decision, but as noted above there may be a relatively minor negative fiscal impact to the state for this component.

## Community Care Licensing

The Community Care Licensing (CCL) Division of DSS licenses over 85,000 community care facilities across the state. These facilities have the capacity to serve over 1.4 million clients requiring different types of care and supervision. Licensees include childcare facilities, certified foster family homes, foster family agencies, residential care facilities for the elderly, residential care facilities for the chronically ill, adoption agencies, transitional housing, and adult day care. Licensing activities are primarily carried out by state staff, although some counties are responsible for licensing child care and foster family homes. CCL staff currently visit a randomly selected 10 percent of facilities annually, and visit all facilities no less than once every five years. At-risk facilities are visited at least annually.

The budget includes $107.3 million ($25.2 million General Fund) and 1,111.9 positions for CCL in 2006-07. This represents a significant increase over the current year funding of $100.6 million ($18 million General Fund) and 1,033.9 positions. Approximately 15 percent of funding is for county licensing activities, and the remaining funding is for state licensing activities.

### *Community Care Licensing Highlights*

- **Licensing Reform Proposal.** The budget requests $6.7 million ($6 million General Fund) and 80 new positions to complete required licensing workload and increase visits to facilities. Additional staffing is requested primarily to address a backlog of required visits, as well as to increase the number of random sample licensing visits from 10 percent to 20 percent annually. Other administrative and statutory reforms are proposed to improve the efficiency of the licensing program and increase client protections.

The 2003 Budget Act reduced the frequency of licensing visits to more effectively target CCL resources. However, that legislation also provided that if the number of citations increased by more than 10 percent in any year, the number of unannounced visits would also increase by 10 percentage points. In 2005, the department indicated that the number of citations was projected to increase by 33 percent between 2004-05 and 2005-06.

The most significant components of the CCL reform proposal include the following:

- ✓ $250,000 to contract for an integrated licensing/certification fee collection process.
- ✓ Require individuals who have been denied licensure/employment due to failed criminal background clearance to wait a minimum of two years before reapplying.
- ✓ $115,000 to contract out administrator certification testing and grading functions. The budget also requests statutory changes to allow administrator certification fees to be adjusted.
- ✓ 38 permanent positions to increase the number of random visits from 10 percent of facilities to 20 percent each year.
- ✓ 29 two and a half-year limited-term positions and $110,000 for overtime to eliminate the significant backlog in licensing visits.
- ✓ 1 one-year limited-term personnel position to assist with hiring the requested licensing positions.
- ✓ 5 permanent positions to operate a training academy for new licensing staff.
- ✓ 2.5 permanent positions to share the DSS database of excluded or abusive employees with other HHS departments.
- ✓ 4.5 permanent positions to handle information regarding convictions after arrest provided by the Department of Justice.

- **Establish New Licensing Category for Agnews Closure.** The budget requests $90,000 General Fund and 1 position to establish a new licensing category known as "Adult Residential Facility for Persons with Special Health-Care Needs." In accordance with SB 962 (Chesbro), Ch. 558/2005, these facilities will be established to serve former residents of the Agnews Developmental Center. Intended residents include medically stable adults who are technology dependent due to reliance on medical procedures such as parenteral nutrition, dialysis, tracheostomy care, and oxygen therapy. Providing these services in a licensed community care facility versus a licensed health facility would allow for a more homelike environment.